

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 457 - HB 992

February 12, 2019

SUMMARY OF BILL: Exempts from the state and local sales tax the sale of coins, currency, and bullion manufactured in whole or in part from gold, silver, platinum, palladium or other material, used solely as legal tender, security, or commodity in this or another state, that is sold based on their intrinsic value as precious material or collectible items rather than their representative value as a medium of exchange.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$360,800

Decrease Local Revenue – Net Impact – \$117,800

Assumptions:

- Based on the Industry Council for Tangible Assets' (ICTA) 2016 survey, Rare Coins and Precious-Metals Bullion National Survey, 2015 Sales-Tax Collections, it is estimated that there are 205 rare coins, paper money, and precious-metal bullion dealers in Tennessee.
- Based on information provided by the Department of Revenue, the average annual sales tax collections in Tennessee are estimated to be \$7,073 (state) and \$2,307 (local) per dealer.
- ICTA's survey indicates that 78.1 percent of collected taxes in states without sales tax exemptions on sales of coins, paper money, and bullion are derived from sales of merchandise that would be exempt pursuant to this legislation (applicable merchandise); 21.9 percent of such collections are derived from other merchandise subject to sales and use taxes.
- As a result, each dealer in Tennessee is assumed to annually remit an average of \$5,524 in state sales tax collections from applicable merchandise ($\$7,073 \times 78.1\%$) and \$1,549 in state sales tax collections from other merchandise ($\$7,073 \times 21.9\%$); and \$1,802 in local sales tax collections from applicable merchandise ($\$2,307 \times 78.1\%$) and \$505 in local sales tax collections from other merchandise ($\$2,307 \times 21.9\%$).
- Total annual state sales tax collections under current law are estimated to be \$1,449,965 ($\$7,073 \times 205$); total annual local sales tax collections under current law are estimated to be \$472,935 ($\$2,307 \times 205$). These numbers are assumed to remain constant under current law.

SB 457 - HB 992

- The proposed sales tax exemption on sales of applicable merchandise is expected to result in increased spending on other merchandise that would still be subject to the state and local sales taxes, as a portion of taxpayer savings is re-spent on such goods and as additional business activity is attracted as a result of the tax exemption.
- ICTA's survey reports that sales tax collections derived from other merchandise are 243 percent higher in states that have a similar sales tax exemption on applicable merchandise than in those states without a similar exemption.
- The effective date of this legislation is July 1, 2019.
- Sales tax collections in FY19-20 and subsequent years derived from sales of other merchandise are estimated to be \$1,089,179 for the state [$\$1,549 \times (1 + 2.43) \times 205$], and \$355,091 for local government [$\$505 \times (1 + 2.43) \times 205$]. Sales tax collections from applicable merchandise will be zero as purchases of such merchandise will be exempt from the state and local sales taxes.
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$360,786 ($\$1,449,965 - \$1,089,179$).
- The net recurring decrease in local government revenue as a result of this legislation is estimated to be \$117,844 ($\$472,935 - \$355,091$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb